

Message Text

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ACTION STR-04

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ACTION STR

E.O. 11652: N/A

TAGS: ETRD, MTN

SUBJECT: MTN DEL INPUT PAPER: AMB YEUTTER'S LATIN AMERICAN TRIP:
TARIFFS

REF: A. MTN GENEVA 5412 PARA 10, B. MTN GENEVA 2221,
C. 75 MTN GENEVA 2066

1. PROBLEM

(A) ALTHOUGH NO LDC IS EXPECTED TO BE A FORMULA COUNTRY, THEIR TRADE INTERESTS WILL BE AFFECTED BY THE OUTCOME OF JOCKEYING AMONG THE KEY DEVELOPED COUNTRIES THIS FALL CONCERNING THE CHOICE OF A GENERAL FORMULA. SHOULD THE US TEAM SOLICIT SUPPORT FOR THE US AS OPPOSED TO THE EC FORMULA?

(B) LATIN AMERICA, ESPECIALLY BRAZIL AND MEXICO, HAVE BEEN PRESSING FOR S AND D BEFORE OR AT LEAST SIMULTANEOUSLY

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WITH THE ADOPTION OF A GENERAL TARIFF FORMULA. WHAT S AND D

CAN WE OFFER?

2. TALKING POINTS.

(A) WE SEEK LA UNDERSTANDING OF, RATHER THAN VOCAL SUPPORT FOR, THE US FORMULA; THE SELECTION OF THE FORMULA IS ONE FOR DECISION BY COUNTRIES INTENDING TO CUT THEIR TARIFFS IN ACCORDANCE WITH THAT FORMULA.

(B) WE BELIEVE THE US FORMULA IS FAR SUPERIOR TO THAT OF THE EC AND NOT JUST FOR OUR OWN TRADE INTERESTS, BUT FOR LA AS WELL, VIZ: OURS COVERS AGRICULTURE, EC'S DOES NOT; OURS HAS DEEP CUTS WHERE BULK OF TRADE ACTUALLY FLOWS WHILE EC'S IS MUCH MORE MODEST; OURS CUTS DEEPER THAN EC'S INTO PROBLEM OF TARIFF ESCALATION BY DEGREE OF PROCESSING.

(C) WE ARE PREPARED IN PRINCIPLE TO CONSIDER S AND D MEASURES FOR LDCS OF A TRADE LIBERALIZING NATURE, BUT ARE NOT PREPARED TO RESPOND POSITIVELY TO NONLIBERALIZING S AND D REQUESTS SUCH AS BINDING OF PREFERENTIAL RATES OR MARGINS.

3. BACKGROUND.

(A) THE TARIFFS GROUP LAST MET IN JULY. THAT MEETING WAS HIGHLIGHTED BY THE FORMAL PRESENTATION OF A TARIFF REDUCTION FORMULA BY THE EUROPEAN COMMUNITIES. (Y EQUALS X ITERATED FOUR TIMES (Y EQUALS PERCENTAGE REDUCTION OF EXISTING TARIFF CALLED FOR; X EQUALS CURRENT TARIFF IN AD VALOREM FORM).) THE COMMUNITIES EMPHASIZED THAT THE UNDERLYING RATIONALE FOR THEIR PROPOSAL WAS A HARMONIZATION OF THE TARIFF STRUCTURES OF THE MAJOR TRADING COUNTRIES. THE UNITED STATES AND CANADA, BOTH OF WHICH HAD PREVIOUSLY TABLED TARIFF-CUTTING PROPOSALS (SEE REFS B AND C), VIGOROUSLY CRITICIZED THE EC PROPOSAL AS SACRIFICING FAR TOO MUCH IN THE WAY OF MEANINGFUL LIBERALIZATION FOR THE SAKE OF A BASICALLY COSMETIC ISSUE, I.E., HARMONIZATION OF TARIFF PROFILES. BECAUSE OF EC PROPOSAL CALLS FOR LIMITED OFFICIAL USE

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RELATIVELY LIMITED REDUCTIONS ACROSS THE RANGE OF RATES IN WHICH MOST TRADE AND TARIFF LINES FALL (I.E., 5-15 PERCENT), THE RESULTING OVERALL PERCENTAGE REDUCTION IN DEVELOPED COUNTRY TARIFFS ON INDUSTRIAL PRODUCTS IS ONLY APPROXIMATELY 30 PERCENT. THIS IS IN SHARP CONTRAST TO THE OVERALL REDUCTION RESULTING FROM APPLICATION OF THE US FORMULA, WHICH IS NEARLY 60 PERCENT. MOREOVER, SINCE THE EC HAS STATED ITS

FORMULA WOULD NOT APPLY TO AGRICULTURAL TARIFFS, UNDER THIS PROPOSAL EXPORTERS OF AGRICULTURAL PRODUCTS WOULD NOT RECEIVE THE BENEFIT OF HAVING A SIGNIFICANT ACROSS-THE-BOARD TARIFF CUTTING SCHEME APPLIED AUTOMATICALLY TO DEVELOPING COUNTRY TARIFFS IMPEDING THEIR ACCESS TO THOSE MARKETS.

(B) THE TARIFFS GROUP'S EFFORTS TO CHOOSE AMONG ALTERNATIVE TARIFF-CUTTING FORMULAS WILL CONTINUE IN THE FALL, AT WHICH TIME PROPOSALS BY JAPAN AND SWITZERLAND ARE EXPECTED TO BE MADE.

(C) THE LDCS HAVE SO FAR CHOSEN NOT TO TAKE SIDES IN THE DEBATE AMONG DEVELOPED COUNTRIES ON THE QUESTION OF AN ACROSS-THE-BOARD FORMULA. WHILE SOME LDCS HAVE STATED THAT THE FORMULA AGREED UPON OUGHT TO RECOGNIZE THE NEED TO PRESERVE GSP MARGINS ON CERTAIN PRODUCTS, THIS ARGUMENT HAS BEEN MADE MORE IN SUPPORT OF THE PRINCIPLE THAT LDCS SHOULD BE COMPENSATED FOR EROSION OF PREFERENCE MARGINS RATHER THAN AS AN ATTEMPT TO TILT THE SCALES IN FAVOR OF A PARTICULAR DC FORMULA. THIS VIEW IS FURTHER SUBSTANTIATED BY THE LACK OF LDC INTEREST IN THE ARGENTINE PROPOSAL FOR A SECRETARIAT STUDY OF THE EFFECTS OF ALTERNATIVE TARIFF FORMULAS ON THE TRADE OF LDCS TAKEN AS A GROUP (SEE REF A, PARA 21).

(D) ON THE OTHER HAND, LDC PARTICIPATION IN THE TARIFFS GROUP HAS BEEN CONCENTRATED ON THE PRESENTATION OR VOCAL SUPPORT OF PROPOSALS FOR SPECIAL AND DIFFERENTIATED TREATMENT OF LDC PRODUCTS UNDER A TARIFF NEGOTIATING PLAN. THESE PROPOSALS LIMITED OFFICIAL USE

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RANGE FROM CONSTRUCTIVE IDEAS SUCH AS A DC COMMITMENT TO DEEPER -THAN-FORMULA CUTS FOR LDC INTEREST ITEMS TO SUCH NONLIBERALIZING MEASURES AS EXCEPTION OF CERTAIN (LDC-SPECIFIED) PRODUCTS FROM DC FORMULA REDUCTIONS TO PERPETUATE GSP (OR OTHER) PREFERENTIAL MARGINS. AT THE JULY TARIFFS MEETING BRAZIL AND INDIA SHARED RESPONSIBILITY OF SUMMARIZING THE LIST OF S AND D MEASURES THAT LDCS AS A GROUP WANT ON THE NEGOTIATING TABLE (SEE REF A, PARA 10).

(E) A TACIT UNDERSTANDING SEEMED TO EMERGE AT THE JULY MEETING THAT THE LDCS COULD COUNT ON DCs AGREED "IN PRINCIPLE" TO CERTAIN S AND D MEASURES SIMULTANEOUS WITH AGREEMENT ON A TARIFF FORMULA. CULBERT

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